

YOUR PROPERTY TAX BILL: THE DEVIL IS IN THE DETAILS – BUT THERE ARE NO DETAILS

SUMMARY

Property owners pay property taxes. The money we send to the County Tax Collector supports the county government, the school district in which the property is located, a community college, the city (if the property is within a city) and often one or more special purpose districts. But how many of a taxpayer's dollars go to each agency? What is printed on the tax bill doesn't tell us. The Grand Jury explored why this is so; and recommends that our property tax bills tell where our money goes.

METHOD

In the course of our investigation, The Grand Jury:

- Inspected Property Tax bills issued in San Luis Obispo County and compared those with similar bills issued by several other California counties
- Studied relevant county documents
- Interviewed county officials responsible for assessing property, collecting the taxes and distributing those funds to the governmental units that get property tax revenue collected in the county
- We asked why the typical San Luis Obispo county property tax bill tells us almost nothing about which agencies get our cash or how much each receives

NARRATIVE

The Grand Jurors started by simply looking at San Luis Obispo property tax bills. Each property tax bill contained numbers denoting fiscal year, billing date, tax rate area, assessment number, bill number, net property value, the amounts and due dates for installment payments and the total amount due. They all showed a tax rate based on "PROP 13 1% TAX RATE" and the amount due based on that 1% of assessed property value. Some of the bills examined also listed an additional tax for the state water project and other voter approved obligations (e.g. paying off school bonds). The following is also printed on the tax bill "Tax information on the Web! See www.slocounty.ca.gov/tax." The information found at that web page does not include a breakdown of how much of a tax payer's payment goes to each agency.

Subsequently, we learned that some 90 distinct government agencies in San Luis Obispo County receive some, or all, of their financial support from property taxes collected from within the 407 tax rate areas within the county. In the 2009-2010 tax year, the gross revenue collected is expected to total about \$424 million. For San Luis Obispo County, an official county document indicates that roughly:¹

- 46% of all property taxes collected go to local school districts
- 4% goes to Cuesta College
- 30% is destined for the county government's general fund
- 12% is distributed to incorporated cities
- 4% is for special districts
- 3% goes to redevelopment agencies within the county

The Tax Collector's office does not calculate how much each of those many local agencies receives. Those computations are done in the Auditor-Controller's Office. The calculations have to adhere to some very technical and complicated directives from the state legislature. Among

¹ For details see *Property Tax Perspective: County of San Luis Obispo, Fiscal Year July 1, 2009 to June 30, 2010* – published by County Auditor-Controller Gere W. Sibbach. This document is available from his office – phone (805) 781-5040.

the complications are laws that trade state motor vehicle licensee fees and sales tax revenue for local property tax money ... which effectively sends local property tax revenue to Sacramento.

The amount the state takes this way each year could change after property tax bills are mailed in late September or early October. Thus the precise share of a given taxpayer's money going to local, versus state purposes, could change slightly after our tax bills are prepared. These complications are real. The Grand Jury does not conclude, however, that they present sufficient justification for not telling the taxpayers which local government agencies get the money we send to the Tax Collector.

In interviews with the Grand Jury, the County Treasurer-Tax Collector-Public Administrator and the County Auditor-Controller discussed the processes (outlined above) illustrating how tax rates are determined and how the collected funds are disbursed to schools and governmental agencies. Both suggested that calculating the specific dollar amount that each taxpayer provides to each agency and printing that information on our individual tax bill might be both burdensome and costly. The Grand Jury does not accept their arguments.

All of the data required to calculate the individual disbursements is already contained in the various tax information systems. The county already has each taxpayer's rate area and currently determines:

- how much property tax is due from each property owner
- how much property tax revenue goes to each school district, special district, city, etc.

It appears that, utilizing the same data, it should not be difficult to compute where our individual tax payments are disbursed.

Acknowledging that final disbursements can be subject to revisions by the state government, the Grand Jury recognizes, and accepts, that the calculations for individual tax disbursements that could be printed on individual property tax bills should more properly be labeled "good faith

estimates.” The tax bills we inspected have sufficient unused white space to print that information,² eliminating the need for the expense of property tax bill form modifications.

As a test of our logic, several Grand Jurors visited county offices and requested detailed information regarding their individual property tax bills. They were able to obtain a breakdown of how their own payments were allocated to various government units.

FINDINGS

1. Our current tax bills contain several unique pieces of information including the property’s assessed value, PROP 13 TAX RATE, and amount due.
2. Our tax bills do not include information on how the individual taxpayer’s payments are distributed.
3. County officials argue that providing disbursement information on individual property tax bills would be difficult and perhaps expensive.
4. The web site listed on tax bills does not include a breakdown of how much of tax payer’s payment goes to various school districts and agencies.

RECOMMENDATIONS

1. All San Luis Obispo County property tax bills should provide a good faith estimate of how much goes to support at least the six government agencies that receive the largest share thereof.
2. The web site “Tax Information on the Web” that is referred to on the tax bill should provide detailed information on how tax payments are disbursed to various schools districts and other agencies.

² The County Treasurer – Tax Collector’s office reviewed portions of this report and disagreed with our statement that tax bills have sufficient white space to print the names of the entities that receive the bulk of our property tax dollars. The Grand Jury does not agree with their assessment.

3. The County Treasurer-Tax Collector and the Auditor-Controller should proceed promptly to implement recommendations 1 & 2 above.

REQUIRED RESPONSES

The San Luis Obispo County Treasurer is required to respond to Findings 1, 2, 3 & 4 and Recommendations 1, 2 & 3. The responses shall be submitted to the Presiding Judge of the San Luis Obispo Superior Court by **September 7, 2010**. Please provide a copy of all responses to the Grand Jury as well.

The San Luis Obispo Auditor-Controller is required to respond to Findings 1, 2, 3 & 4 and Recommendations 1, 2 & 3. The responses shall be submitted to the Presiding Judge of the San Luis Obispo Superior Court by **September 7, 2010**. Please provide a copy of all responses to the Grand Jury as well.

The mailing addresses for delivery are:

Presiding Judge	Grand Jury
Presiding Judge Charles S. Crandall Superior Court of California 1050 Monterey Street San Luis Obispo, CA 93408	San Luis Obispo County Grand Jury P.O. Box 4910 San Luis Obispo, CA 93402